



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 07, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Emprise Bank National Association  
Charter Number 3885**

**1200 Main Street  
Hays, KS 67601**

**Comptroller of the Currency  
Assistant Deputy Comptroller C. Scott Schainost  
Wichita Field Office  
3450 North Rock Road Suite 505  
Wichita, KS 67226**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

- Emprise Bank's quarterly average loan-to-deposit ratio of 81 percent is excellent, compared to 55 percent of the bank's peer group.
- Emprise Bank grants a majority of the primary loan products in its assessment area. A sample of residential real estate loans indicates 90 percent of the number and 92 percent of the dollar volume are in the assessment area. A report obtained by management on the student loan program indicates a large majority of the student loans are in the assessment area.
- Emprise Bank demonstrates a satisfactory level of lending to low- and moderate-income borrowers. A sample of residential real estate loans indicates adequate penetration to low- and moderate-income borrowers. An analysis of student lending during 2001 and the 1st half of 2002 indicates a majority of the student loans are granted to low- and moderate-income borrowers in the area.
- The geographic distribution of loans is excellent. The distribution of residential real estate loans in the moderate-income tract is excellent, as it significantly exceeds the demographics of the tract. Emprise Bank grants virtually all of its student loans to Fort Hays State University students. Most of the students reside in student housing, or near campus, which is in a moderate-income tract. Emprise Bank's assessment area does not contain any low-income tracts.

## DESCRIPTION OF INSTITUTION

Emprise Bank, National Association (Emprise Bank) is a \$92 million bank headquartered in Hays, Kansas. In addition to its main office, the bank has two branch offices in Hays. All bank locations are equipped with drive-up facilities and deposit-taking automatic teller machines (ATMs). Emprise Bank is a wholly owned subsidiary of Emprise Financial Corporation, a multi-bank holding company headquartered in Wichita, Kansas. The holding company has total assets of \$750 million as of June 30, 2002. Management reports no major changes in the bank's corporate structure since the last CRA examination.

Emprise Bank is a full-service bank offering a variety of loans. Net loans represent 67 percent of the bank's total assets. At June 30, 2002, the bank's \$62 million loan portfolio had the following composition: Consumer 30 percent; residential real estate 25 percent; commercial real estate 25 percent; commercial & industrial 18 percent; and agricultural two percent.

Examiners determined the bank's primary loan products, by number and dollar amount of loans granted since the last CRA examination, were student loans and residential real estate loans.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. At the June 30, 1997, examination, examiners assigned a "Satisfactory" rating.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of Ellis County. The AA contains five block numbering areas (BNAs), which include 9726 through 9730. One of the BNAs (20 percent) is a moderate-income tract, three (60 percent) are middle-income tracts, and one (20 percent) is an upper-income tract. The AA does not contain any low-income tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

The AA has a population of 26,004 and is not in a Metropolitan Statistical Area (MSA). The Kansas statewide non-MSA median family income for 2001 is \$44,200. The AA has the following income distribution for families.

<b>Distribution of Family Income in Ellis County</b>	
<b>Income Level</b>	<b>Percentage</b>
<b>Low-income Families</b>	18
<b>Moderate-income Families</b>	16
<b>Middle-income Families</b>	22
<b>Upper-income Families</b>	44
<b>Total</b>	100

A significant percentage of the households (18 percent) have incomes below the poverty level due to the large student population in the AA. Twenty-six percent of the households receive social security and five percent are on public assistance programs. Twenty-three percent of the population is not in the work force and 13 percent is over the age of 65.

The median housing value is \$47,487 and 58 percent of the housing units are owner-occupied. The AA has a high percentage of rental units, which provide additional housing to the student population. The economy is stable. Major employers in the area include Fort Hays State University, Hays Medical Center, North Central Kansas Technical School, Unified School Districts, local governments, and several retail services. The unemployment rate for May 2002 for Kansas was 4.4 percent, compared to 5.8 percent nationwide.

Emprise Bank faces strong competition in the area. In addition to Emprise Bank, six banking institutions have offices in the AA, with assets ranging from \$38 million to \$552 billion. Examiners selected two institutions as peer banks since the majority of the deposits of these institutions are in the AA. The asset size of the two peer banks at June 30, 2002, was \$38 million and \$64 million, respectively, with Emprise Bank ranking first among this group. With 17 percent of the area deposits, Emprise Bank ranks second in deposit market share.

Examiners contacted one community professional. The contact identified business, residential, and consumer purpose loans as the credit needs in the community. The contact also noted that area banks are meeting these needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

Emprise Bank's lending level is excellent. The bank's quarterly average loan-to-deposit ratio the past 12 quarters ended June 30, 2002, was 81 percent, well above the average ratio for peer banks. Only two banks had a majority of their deposits in the AA and these were used for peer comparisons. The quarterly average loan-to-deposit ratio for the peer banks over the same period was 55 percent. The quarterly average loan-to-deposit ratio for the individual peer banks was 42 percent and 68 percent.

### Lending in Assessment Area

Emprise Bank's lending in the AA is good, as it extends a majority of its primary loan products in the AA. To determine the loan distribution, examiners selected a sample of 20 residential real estate loans granted during 1998, 1999, 2000, 2001 and the 1<sup>st</sup> half of 2002. The table below depicts the distribution within the AA.

Percentage of Sample Granted Within the Assessment Area	
Percentage By Number	Percentage By Dollar
90	92

The bank's lending level to students in the AA is good. Examiners reviewed an Analysis

of Student Lending report the bank obtained from Fort Hays State University on the student loan program during 2001 and the 1<sup>st</sup> half of 2002. Since the bank's student loan program is associated with local colleges in the AA, and college-provided student housing is also in the AA, the vast majority of the student loans have been to students living in the AA.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Lending to borrowers of different incomes is satisfactory. Examiners analyzed a sample of residential real estate loans and reviewed the student loan report provided by bank management since those loan products represent the majority of loans originated since the last examination. Examiners did not analyze business or farm loans, as they were not identified as major loan products. The community contact identified business, residential real estate, and consumer purpose loans as the community's credit needs.

The bank's lending to residential real estate loan borrowers is adequate. Examiners reviewed a sample of 20 residential real estate loans granted during 1998, 1999, 2000, 2001, and the 1<sup>st</sup> half of 2002. The bank's lending to moderate-income borrowers is comparable to the demographics. The sample did not contain any loans to low-income borrowers. However, Emprise Bank faces strong competition from another financial institution that provides a federally subsidized rural development loan program. The subsidy makes it easier for low- and moderate-income borrowers to qualify for home loans, compared to other programs available in the area. Emprise Bank does offer Federal Home Loan Bank Grant and Federal Housing Authority (FHA) loan programs, which target low- and moderate-income borrowers. In addition, the AA has a high poverty rate, which is a result of the large student population. Students make up a significant percentage of the low- and moderate-income categories and are not traditionally in the market for home loans. The table below depicts the bank's lending performance based on our sample.

<b>Sample of Residential Real Estate Loans</b>			
<b>Borrower Income Level</b>	<b>Percentage of Number</b>	<b>Percentage of Dollar</b>	<b>Families in Income Category</b>
<b>Low-Income</b>	0	0	18
<b>Moderate-Income</b>	15	10	16
<b>Middle-Income</b>	30	21	22
<b>Upper-Income</b>	55	69	44
<b>Total</b>	100	100	100

Lending to low- and moderate-income consumers under the student loan program is good. The program provides subsidized and unsubsidized loans to student based on family contribution and financial need. As mentioned above, the AA has a large student population, a significant majority of whom has income well below the median for the area. An analysis of the student lending during 2001 and the 1<sup>st</sup> half of 2002 indicates a large majority of the student loans are granted to low- and moderate-income borrowers in the area.

## Geographic Distribution of Loans

The geographic distribution of the bank's loans in the moderate-income tract is excellent. Examiners analyzed a sample of residential real estate loans and reviewed bank reports on its student loan program, as those are the bank's primary loan products.

The distribution of the residential real estate loans is excellent, as the percentage of the number of the loans exceeds the demographics by 11 percent. Examiners analyzed a sample of 20 residential real estate loans originated during 1998, 1999, 2000, 2001, and the 1<sup>st</sup> half of 2002. the bank's AA does not contain any low-income tracts. The table below depicts the bank's distribution of residential real estate loans by income level of tract, based on our sample.

<b>Distribution of Residential Real Estate Loans</b>			
<b>Census Tract Income Level</b>	<b>Percentage of Number</b>	<b>Percentage of Dollar</b>	<b>Owner-occupied Housing By Income Level of Tract</b>
<b>Low-income</b>	0	0	0
<b>Moderate-income</b>	25	26	14
<b>Middle-income</b>	35	23	58
<b>Upper-income</b>	40	51	28
<b>Total</b>	100	100	100

The distribution of the student loans in the bank's moderate-income tract is excellent. Virtually, all of the bank's student loans are granted to students at Fort Hays State University. A large majority of the students reside in student housing or near the campus, which is located in BNA 9729. This is the only moderate-income tract in the bank's AA. A review of the 2001 and the 1<sup>st</sup> half of 2002 student loan program report obtained by the bank indicates a vast majority of the student loans have been granted in the moderate-income tract.

## Responses to Complaints

The bank has not received any CRA-related complaints since the previous CRA examination.

## Fair Lending Review

An analysis of 1998, 1999, 2000, 2001 and the 1<sup>st</sup> half of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.